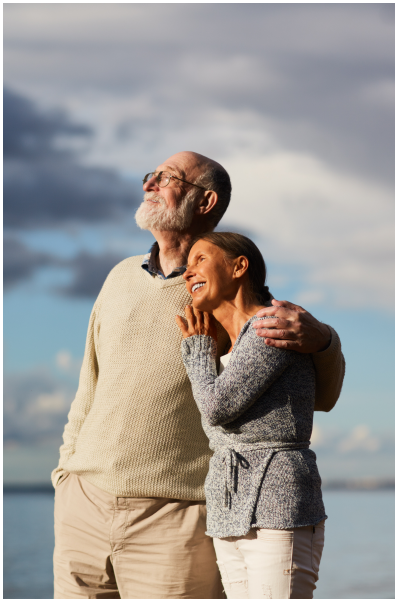


National Pension System (NPS)

About NPS

The National Pension System (NPS) is a voluntary retirement savings initiative in India, established by the government in 2004. It involves individuals making regular contributions to individual pension accounts, which are managed by Pension Fund Managers. NPS provides various investment options, including equity and bonds. Upon retirement, a portion can be withdrawn as a lump sum, and the rest is used to purchase an annuity for a regular pension. The scheme offers tax benefits and aims to foster a culture of long-term savings for financial security during retirement.

What is NPS?

The **National Pension System (NPS)** is a voluntary, long-term retirement savings scheme in India. It offers individuals the flexibility to choose their own **investment options** and **pension fund managers**. The system aims to provide financial security during retirement through regular income. NPS is regulated by the Pension Fund Regulatory and Development Authority (PFRDA).

Why NPS?

The National Pension System (NPS) is chosen for several reasons. It offers a systematic and flexible retirement savings plan with diverse investment options, allowing individuals to tailor their portfolio based on risk preferences. Tax benefits under Section 80CCD add to its appeal. With the potential for attractive returns, the NPS addresses the growing need for financial security in retirement, encouraging a savings culture. The scheme's portability across jobs ensures continuity, making it a viable choice for those seeking a long-term, well-regulated retirement savings solution in India.

Advantages of NPS?

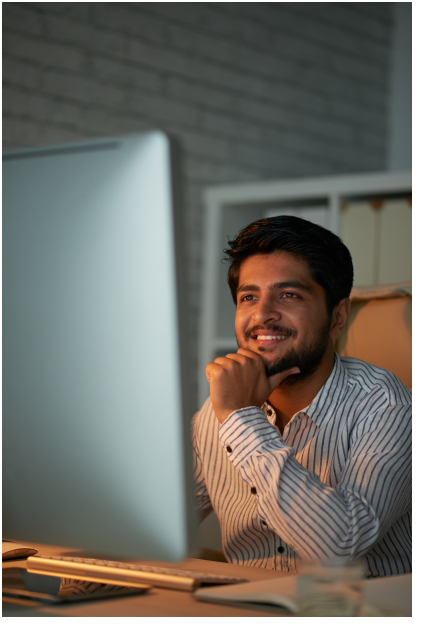
1. Additional Tax Deduction: Investment up to Rs.50,000 in NPS eligible for extra tax deduction under sub-section 80CCD (1B), beyond Sec 80C limit.
2. Tax Deduction on Individual Contribution: Contribution by the subscriber to NPS can be claimed up to 20% of salary (Basic + DA) or 10% of Annual Income under Sec 80 CCD(1).
3. Tax Deduction on Employer's Contribution: Employer's contribution to NPS, up to 10% of salary (Basic + DA), eligible for tax deduction under Section 80 CCD(2).
4. Monetary Limit on Employer's Contribution: Contributions exceeding Rs 7.5 lakh in a financial year taxable for the employee.

Advantages of NPS?

5. Exclusive Tax Deductions: Tax benefits in points (i) & (iii) are exclusive for NPS investments.
6. EEE Status (Exempt Exempt Exempt): Complete tax exemption on NPS withdrawals at maturity.
7. Lower Expense Ratio: Total recurring expenses around 0.26% p.a., making NPS one of the world's lowest-cost pension schemes.
8. Complete Portability: NPS provides seamless portability across jobs and locations.

Investment Options

NPS subscribers can choose between **equity**, **government securities**, and **corporate bonds** for their investments. The scheme offers the flexibility to switch between funds and **asset allocation** strategies based on the subscriber's risk appetite and investment goals.



Pension Fund Managers

NPS provides the option to select from multiple **pension fund managers** who manage the investments on behalf of subscribers. These managers are regulated by PFRDA and offer various **investment strategies** to cater to different risk profiles and retirement objectives.

Retirement Planning

NPS encourages individuals to start **early retirement planning** to ensure a financially secure future. The scheme's **long-term nature** allows for the power of compounding to grow the retirement corpus. It is an ideal choice for individuals seeking a **structured retirement savings** approach.

Thank You!

To Know More About National Pension Scheme (NPS)
https://www.utirsl.com/